# LEGISLATIVE SERVICES AGENCY
## OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
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## FISCAL IMPACT STATEMENT

**LS 6888** **NOTE PREPARED:** Jan 14, 2010
**BILL NUMBER:** SB 199 **BILL AMENDED:**

**SUBJECT:** State Deferred Compensation Plan.

**FIRST AUTHOR:** Sen. Walker **BILL STATUS:** CR Adopted - 1st House
**FIRST SPONSOR:**

**FUNDS AFFECTED:** X **GENERAL** **IMPACT:** State
**DEDICATED**
**FEDERAL**

**Summary of Legislation:** This bill provides that if an employee does not choose another amount, the state shall, in each pay period during the first year the employee is automatically enrolled in the state's deferred compensation plan, deduct from the employee's compensation the greater of: (1) the maximum amount of any match provided by the state on behalf of the employee to a defined contribution plan; or (2) $15; and deposit the amount deducted in the employee's account.

The bill also provides that each year, on the anniversary date of an employee's enrollment in the plan, the state shall automatically increase by $5 the deduction made in each pay period, unless the employee chooses another amount. It provides that the maximum amount deducted each pay period from an employee's compensation as a contribution to the plan as the result of automatic increases may not exceed $50.

**Effective Date:** July 1, 2010.

**Explanation of State Expenditures:** *Payroll System Changes*- The State Auditor's office will need to make minor changes to its payroll system in order to implement the changes in payroll deduction. The bill's requirements are within the agency's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

*Deferred Comp Deduction Amount Changes*- The bill makes two changes in the deduction amounts for the deferred compensation plans for new state employees. Neither change will affect state expenditures.

The first change is in the determination of the initial deduction amount. Current statute provides that an amount equal to the administratively determined state matching contribution will be deducted unless the employee chooses a different amount. The bill changes the automatic initial employee deduction amount to be equal to the greater of (1) the administratively determined state match or (2) $15 per pay period. Prior to CY 2010, the state match has been $15 per pay period. However, the Governor announced in December 2009 that the state match will be suspended beginning January 1, 2010. Consequently, the automatic initial employee deduction amount will remain at $15 unless the employee chooses a different amount, the same as under current statute.

The second change will implement a $5 annual automatic increase in the employee deduction, up to a maximum of $50 per pay period, unless the employee affirmatively chooses a different contribution amount. This change, also, will not affect state expenditures.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** State Auditor.

**Local Agencies Affected:**

**Information Sources:** Brent Plunkett, Payroll Director, State Auditor's office, 317-232-3299.

**Fiscal Analyst:** Alan Gossard, 317-233-3546.